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To: 2006 HRF Applicants and other CD Partners

From: Richard G. Ballard, Director  
Office of Community Development

RE: **Current Round of CD Grants**

The purpose of this communication is to:

- Provide you with an **update on the grant award process** for the recent Housing Resource Fund application window, and
- Inform you of a **change in our grant-making process** designed to assure that funding is available to grantees in a timely manner.

### **Update on the Grant Award Process**

**Grant notification:** Our process involves notifying legislators immediately prior to making grant awards. This process will begin in a few days. Shortly thereafter, if your application has been approved, you will receive a funding letter with your award.

**Grant terms:** HRF Grants will generally be effective from April 1, 2006 with an ending date sometime between June 30, 2008 and December 31, 2008; extensions beyond the end date will generally not be approved. We expect County Allocation grants will run from January 1, 2006 through December 31, 2007. Because of the delay in receiving our HUD grant agreement, the deadline for qualifying for the production/leverage bonus will be extended to December 31, 2006, and we will consider extensions beyond December 31, 2007 on a case-by-case basis. Keep in mind, however, that lack of timely expenditure of a 2006-2007 award will delay your application for a renewal in 2008. If you have special needs, please contact your CD Specialist.

**CDBG funding:** Because of additional CDBG funding that MSHDA received from MEDC last year, a few nonprofit proposals are being funded with CDBG funds channeled through a unit of local government, rather than HOME, which would have been awarded directly to the nonprofit. The nonprofits affected have already been notified, and we are assisting the local units in re-applying for these funds.

**Date for specifics:** We will begin executing grant agreements immediately after funded grantees are notified. We expect to have all grantees notified by the end of the first week in May, and grant agreements out during the month of May.



## **Change in the Grant-Making Process**

**Incremental funding awards:** Our past practice of making two-year awards for the full amount of the grant has an unintended consequence—tying up a large amount of money until an eventual recapture. This has added up to millions of dollars over a number of years and dozens of grants; these funds are not available to increase production through our network until they are recaptured, which typically does not occur until after the grant expires. *In order to assure the availability of funds for projects producing units on schedule, we will be initiating an incremental funding process, where appropriate.* As a result, for projects for which an incremental funding award is appropriate, we plan to make funding available in 2006 in a two-step process.

Here is an example of an incremental funding award for a nonprofit that has applied for \$400,000 for 20 HPR units.

*Award Letter and Project Description: The award letter may commit the following: “The funded project is \$200,000 for the first 10 units of a planned 20-unit project to help low-income households purchase a home and implement moderate rehabilitation. MSHDA intends to provide up to \$400,000 for 20 units during the grant period, depending on the time remaining in the grant and available funds.”*

*Grant Agreement Special Condition: “Once the grantee has completed no less than 6 units and has accepted purchase agreements and completed rehab specs on at least 3 more units, MSHDA will expedite an amendment to increase funding up to the full planned production of 20 units and \$400,000, depending on the availability of funds and the time remaining in the grant.”*

In creating these grant agreement conditions, our intent is (a) *to keep the benchmarks simple and achievable (the purpose is to increase production by making sure that funding is available when you need it, not to reduce expenditures), and (b) to assure that your request for additional funds is handled quickly and without additional paperwork, so that your ongoing production is not delayed. Please note that we will not be applying this incremental funding methodology to (a) county allocation grants or (b) projects where economies of scale are achieved by producing all the units at one time, but only to projects involving a number of independently acquired and developed units.* Once you have been notified, if you have questions about how this applies to your grant, please contact your CD Specialist and she or he will work with you to assure that your concerns are taken into account and that the terms of the agreement accommodate your planned production schedule.

We apologize for the unavoidable delay in the county allocation program, but will be mailing grant documents as quickly as possible.

If you have questions, please contact your CD Specialist. We are looking forward to working with all our partners in service to your neighborhoods and all the residents of Michigan.